

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on policies and practices for advanced metering, demand response, and dynamic pricing.

Rulemaking 02-06-001
(Filed June 6, 2002)

**ASSIGNED COMMISSIONER'S RULING
CLARIFYING DIRECTION TO UTILITIES
TO IMPLEMENT THE DEMAND RESERVE PARTNERSHIP**

On April 1, 2004, I issued an Assigned Commissioner's Ruling (ACR) providing guidance to facilitate an agency agreement between the Department of Water Resources (DWR) and the utilities to allow full implementation of the California Consumer Power and Conservation Financing Authority (CPA) Demand Reserves Partnership (DRP). On April 26, 2004, DWR sent a memorandum to Administrative Law Judge Cooke and me, reporting on the status of negotiations. That memo identifies one issue that is impeding progress in reaching agreement: whether or not utilities will be released from least-cost dispatch requirements when DWR tests the program if DWR tests the program more frequently than once per calendar year.

The DRP contracts allow for a minimum of six tests per calendar year and DWR states in its memorandum that it currently tests on a monthly basis and that it is critical that its testing schedule continue. Although we have not yet heard from the utilities in response to the memo, one assumes that they seek an ironclad guarantee that they will be released from least-cost dispatch

requirements whenever DWR directs them the dispatch the DRP resources for testing purposes.

I believe that DWR should be able to engage in reasonable amounts of testing. However, I worry that the amount of testing DWR appears to say it must perform is inconsistent with its past practice and could use up many of the hours that the DRP resources would be available to be called for emergency purposes. If DWR directs that the DRP resources be dispatched for testing a reasonable amount of time, for example, a few hours per month when the program has not already been dispatched, I have no problem releasing the utilities from least cost dispatch requirements for those tests. Beyond that level, I am concerned that the DRP resources would not be available in the event of an emergency, not because the customer couldn't reduce its demand, but because DWR tests would have used up a substantial portion of the hours the customer is obligated to provide under its contract.

Therefore, I rule that the utilities should not be penalized for violating least cost dispatch requirements if DWR instructs them to dispatch the DRP resources for any reliability event or for testing purposes for no more than four hours, once a month, in the event the program has not already been called that month. This outcome does not provide the 100% assurance that the utilities seek because it does not limit DWR's right to test the program. However, I expect that DWR will engage in testing in a responsible manner designed to maximize its ability to utilize DRP resources for reliability purposes, and I am confident that the exemption from least cost dispatch requirements I have provided to utilities will provide DWR with sufficient flexibility to verify the availability and reliability of the resources.

Thus, with this guidance, I direct the utilities to resume negotiations with DWR with the goal of finalizing Agency Agreements within 7 days. The

Agreements should be submitted consistent with the direction in my April 1, 2004 ruling.

Therefore, **IT IS RULED** that:

1. Consistent with the guidance set forth herein, the utilities shall resume negotiations with DWR to finalize and file Agency Agreements within seven (7) days.
2. The Agency Agreements shall be filed as part of the supplemental compliance advice letters described in my April 1, 2004 Ruling no later than seven (7) days after the date of this ruling.
3. The protest period for the supplemental advice letters is shortened to 10 days after the date the advice letters are filed.

Dated May 3, 2004, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

CERTIFICATE OF SERVICE

I certify that I have by electronic mail, to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached ASSIGNED COMMISSIONER'S RULING CLARIFYING DIRECTION TO UTILITIES TO IMPLEMENT THE DEMAND RESERVE PARTNERSHIP on all parties of record in this proceeding or their attorneys of record.

Dated May 3, 2004, at San Francisco, California.

/s/ SALLY CUARESMA
Sally Cuaresma

N O T I C E

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